

themselves or others. The difficulties which have beset their operation were not foreseen, and could not be provided against. When they entered into their contracts, the prices of provisions and labor were collectively about fifty per cent. less than they are now. To prevent the abandonment of the work in progress, the dispersion of the laborers employed thereon, and the necessity, after much delay, to re-let the contracts to others, at greatly augmented prices, we have deemed it wise, and found it necessary, to make some advances on their contract prices, as the only means to avert such evils, and the absolute and unavoidable ruin of our contractors.

Impressed with the importance of completing the canal to Cumberland at the earliest day possible, we would long since have put the whole line under contract, if the means formerly at our command had been sufficient to justify that course—but we had, as heretofore fully explained to the Legislature, to limit our lettings to the sum of the resources placed at our disposal, and consequently, for the time being, to confine our operation to the extension of the canal to Cacapon, and above that river, to two difficult passes—a tunnel at the Paw Paw Bend, and a deep cut at Old Town. These two works are situated on the line between the Cacapon river and Cumberland; and, requiring a longer time for their completion than any other portion of the same line, we seized the earliest moment of putting them under contract to men of acknowledged experience, energy and character. By the adoption of this course, we are satisfied that these works will be finished as soon as the other portions of the line from Cacapon to Cumberland.

But the State of Maryland having, by the aid more recently extended to this company, placed means at its command that will justify the President and Directors in making contracts to perfect the navigation to Cumberland as soon as may be possible, every effort shall be made to fulfil the public expectation, and gratify our own and the general desire, to even the least interest, dependent on the early and happy completion of this great work.

The unprecedented failure of the agriculture products of the two years 1885 and 1886, especially so the last, has had a corresponding influence on the revenue of the canal derived from tolls. Until the final completion of the canal to Cumberland, when the vast and inexhaustible resources of that mineral region are brought into action, its chief reliance for revenue is to be derived from the products of the rich agricultural country bordering on the Potomac and its tributaries. The almost total failure of the grain crops will, therefore, rationally account for the revenue being short of our expectations. It will be seen by the accompanying statement that, under all these disadvantages, the tolls of the last exceed those of the preceding year.

The last annual report of the President and Directors to the Stockholders, a general abstract from the Treasurer of the Company, and a statement, by the clerk, of its debts and credits, are forwarded with